



Courteous

Reliable

...and Affordable



2004 3rd Quarter Corporate Reporting

 **STC**
The Bus Company

2004 3rd Quarter Corporate Reporting

1. Management Discussion and Analysis

- Passenger Service
- Express Service
- Maintenance Services
- Financial Services
- Other Issues

2. Quarterly Financial Statements

- Statement of Financial Position
- Statement of Operations and Retained Earnings
- Statement of Cash Flows
- Notes to Financial Statements

3. Link to STC 2003 Annual Report

Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its Third Quarter operations in 2004, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a lasting impact on the corporation's fiscal position.

Passenger Service:

Into the third quarter of 2004, STC coaches traveled 2.4 million miles, serving 275 Saskatchewan communities.

Revenues for passenger operations in the quarter were \$1,586,000, down slightly from the \$1,612,000 in revenues realized by the company in the third quarter of 2003. The revenues for the year to date were \$4,765,000, up from \$4,668,000 in the first nine months of 2003.

Expenses associated with operating passenger services were \$2,433,000, up slightly from the 2003 figure of \$2,330,000. Year-to-date passenger operating expenses were \$7,332,000, compared to \$7,217,000 in the first nine months of 2003.

Operating losses of passenger services in the quarter were \$847,000, an increase from the \$718,000 in operating loss experienced by passenger services in the third quarter of 2003. The loss for the first nine months of the year totals \$2,567,000, compared to \$2,549,000 for the same time period in 2003.

Actual revenues from passenger service were down slightly from budget projections.

Express Service:

Through its network of 197 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the third quarter of 2004, revenues from express operations were \$1,639,000, down slightly from the revenues of \$1,716,000 realized in the third quarter of 2003. Revenues for the first nine months' express operations were \$4,542,000, down from the \$4,683,000 in revenues for the same period in the previous year.

Revenues for freight operations are below expectations for the quarter. The continued uncertainty in the farming economy has a major impact on this aspect of STC's business, which is very heavily driven by the rural economy.

Express operating expenses during the quarter amounted to \$1,032,000, up from the \$938,000 in expenses for the same period the previous year. Expenses for the first nine months amounted to \$2,918,000, compared to \$2,777,000 in the first three quarters of 2003.

Overall, profits for freight operations in the third quarter amounted to \$607,000, compared to a profit of \$778,000 for the third quarter of 2003. Year-to-date profit is \$1,624,000, compared to \$1,906,000 for the first nine months of 2003.

STC's express service tends to be somewhat seasonal, tied to the agricultural industry. In a normal year, the third quarter would have been a positive period for express revenues, but poor weather was a factor in holding revenues down.

Depending on agricultural conditions for the remainder of the year, express revenues are projected to be near-budget for the year.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the third quarter of 2004 amounted to \$519,000, as compared to \$503,000 for the same three-month period in 2003. For the first three quarters, expenses amounted to 1,665,000, compared to \$1,673,000 for the first nine months of 2003.

Financial Services:

Overall, STC's revenues for the third quarter of 2004 amounted to \$3,366,000, compared to \$3,481,000 for the third quarter of 2003. Cumulatively for the first three quarters, revenues amounted to \$9,715,000, compared to \$9,810,000 in 2003.

Expenses were \$4,531,000, compared to \$4,400,000 the previous year. Expenses for the first three quarters of 2004 totaled \$13,563,000, up slightly from \$13,454,000 for the same period in 2003.

The company's loss, before grants, for the quarter was \$1,165,000, compared to \$919,000 for the third quarter of 2003. Losses in the first nine months amounted to \$3,849,000, compared to \$3,644,000 for the same period the previous year.

STC has been approved for an operating grant of \$4.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the third quarter, indicate that the company will require most of that amount of grant funding. The projected operating loss for the year is \$3.3 million, compared to \$2.8 million in 2003.

In the third quarter, STC drew down \$700,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$8,673,000, compared to \$8,590,000 at the same time last year.

Other Issues:

During the quarter, STC continued to experience changes to its senior management. These changes, however, did not significantly impact the company's direction or its financial situation.

The company entered into discussions with First Nations' groups regarding career training. These discussions are ongoing.

On December 31, 2003, the company's collective agreement with the Amalgamated Transit Union Local 1374 expired. Negotiations on a new collective agreement with the Amalgamated Transit Union Local 1374 are ongoing, and the financial impact of these negotiations is not known at this time.

Saskatchewan Transportation Company**Statement of Financial Position**

(unaudited - thousands of dollars)

	As at Sept. 30, 2004	As at December 31, 2003
Assets		
Current		
Cash	\$ 679	\$ 882
Accounts receivable	1,236	1,315
Inventories	312	322
Prepaid expenses	391	130
	2,618	2,649
Property, plant and equipment	15,851	15,629
	\$ 18,469	\$ 18,278
Liabilities and Province's Equity		
Current		
Demand operating loan	\$ -	\$ 300
Accounts payable and accrued liabilities	2,945	2,003
	2,945	2,303
Deferred capital grant	6,851	7,573
Province of Saskatchewan's Equity		
Retained earnings	8,673	8,402
	\$ 18,469	\$ 18,278

Saskatchewan Transportation Company
Statement of Operations and Retained Earnings
(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Revenue				
Express services	\$ 1,638	\$ 1,715	\$ 4,542	\$ 4,683
Passenger services	1,586	1,612	4,765	4,668
Other	141	153	407	459
Loss on disposal of property, plant and equipment	1	(1)	-	-
	3,366	3,479	9,714	9,810
Expenses				
Operating	3,511	3,352	10,379	10,185
Administration	601	617	1,914	1,973
Amortization	418	430	1,270	1,296
	4,530	4,399	13,563	13,454
Loss before the following	(1,164)	(920)	(3,849)	(3,644)
Operating Grant	700	300	3,400	1,100
Capital Grant	237	230	721	652
Net income (loss)	(227)	(390)	272	(1,892)
Retained earnings, beginning of period	8,901	8,980	8,402	10,482
Retained earnings, end of period	\$ 8,674	\$ 8,590	\$ 8,674	\$ 8,590

Saskatchewan Transportation Company

Statement of Cash Flows

(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Operating Activities				
Net income (loss)	\$ (227)	\$ (390)	\$ 272	\$ (1,892)
Items not involving cash:				
Amortization	418	430	1,270	1,296
Loss on disposal of property, plant and equipment	(1)	1	-	-
Recognition of capital grant	(237)	(230)	(721)	(652)
Net change in non-cash working capital	1,211	1,365	768	883
Cash provided by (used in) operating activities	1,164	1,176	1,589	(365)
Investing Activities				
Additions to property, plant and equipment	(1,435)	(1,202)	(1,514)	(2,013)
Proceeds on disposal of property, plant and equipment	13	2	22	10
Cash used in investing activities	(1,422)	(1,200)	(1,492)	(2,003)
Financing Activities				
Repayment of demand operating loan	-	-	(300)	-
Capital grant received	-	1,200	-	1,800
Cash used in financing activities	-	1,200	(300)	1,800
Increase (Decrease) in cash	(258)	1,176	(203)	(568)
Cash, beginning of period	937	542	882	2,286
Cash, end of period	\$ 679	\$ 1,718	\$ 679	\$ 1,718

Saskatchewan Transportation Company
Notes to Financial Statements
(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2003.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2003.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.

